

Message Text

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PASS AID AND TREASURY

E.O. 11652: N/A

TAGS: EAID, OECD, EFIN

SUBJECT: AD HOC GROUP ON ECONOMIC RELATIONS BETWEEN
MEMBER COUNTRIES AND DEVELOPING COUNTRIES

REF: OECD PARIS 17863

1. FOLLOWING IS CHAIRMAN'S SUMMARY OF DISCUSSION AT
JULY 7-8 AD HOC GROUP. A FEW CHANGES HAVE BEEN MADE IN
THE TEXT AS DELIVERED IN LIGHT OF DELEGATES' LIMITED
COMMENTS TOWARDS END OF MEETING. NOTABLE CHANGES ARE:
(A) REFERENCE TO TRUST FUND WEAKENED; (B) NOTE MADE OF
WIDE AGREEMENT ON DESIRABILITY OF IMPROVING COMPENSATORY
FINANCING FACILITY; (C) REFERENCE TO IFAD UNDER
PRIORITIES ELIMINATED; AND (D) ADDITION TO PRIORITIES OF
INCREASE IN VOLUME OF ASSISTANCE AND IMPROVEMENT IN ITS
QUALITY. FURTHER DISCUSSION WITHIN GROUP WILL CENTER ON
FIRST DRAFT REPORT TO BE ISSUED JULY 17-18 RATHER THAN
UPON CHAIRMAN'S SUMMARY.

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2. BEGIN TEXT:

(TITLE) RESUME BY THE CHAIRMAN OF DISCUSSIONS IN THE AD
HOC HIGH-LEVEL GROUP ON ECONOMIC RELATIONS BETWEEN MEMBER
COUNTRIES AND DEVELOPING COUNTRIES, 7TH-8TH JULY, 1975

AS AGREED I WOULD LIKE TO PRESENT TO YOU THE
CONCLUSIONS TO BE DRAWN OUT OF THE VERY USEFUL AND CON-
STRUCTIVE DELIBERATIONS WE HAD DURING THE LAST TWO DAYS.
BEFORE DOING SO, I SHOULD LIKE TO MAKE A FEW PRELIMINARY
REMARKS.

WE HAVE TO BEAR IN MIND THAT THE DISCUSSION WE HAD
SO FAR IS ONLY THE FIRST STEP IN THE MATERIAL WORK WHICH
WE ARE UNDERTAKING. THE MAIN PURPOSE OF THE WORK OF THE
GROUP MUST BE TO CONTINUE IN THE SAME COOPERATIVE SPIRIT
AS HAS BEEN SHOWN SO FAR IN THE INTERESTS OF OUR
COMMON TASK AND I HOPE THAT, AS A CONSEQUENCE OF THE
FUTURE WORK WHICH WILL BE UNDERTAKEN, WE WILL MOVE
TOWARDS CONSTRUCTIVE APPROACHES. APART FROM THE
SUBSTANTIAL SUMMARY I SHOULD LIKE TO GIVE YOU, I WOULD
LIKE TO MAKE TWO SPECIFIC POINTS. ONE REGARDS THE
RELATIONS WITH MORE ADVANCED AND POORER DEVELOPING
COUNTRIES; AND THE SECOND QUESTION CONCERNS THE POSSI-
BILITIES OF MAKING FURTHER PROGRESS TOWARDS HARMONIZING
OUR VIEWS.

AS FAR AS THE FIRST PROBLEM IS CONCERNED, I
THINK THREE IDEAS CAME OUT OF OUR DISCUSSIONS. ONE IS
THE RECOGNITION OF A POLITICAL FACT. ALL OF US REALIZE
THAT THE DEVELOPING COUNTRIES HAVE A POLITICAL COHESION
AND THAT IT WOULD BE POLITICALLY USELESS AND WRONG TO
TRY TO DESTROY THIS POLITICAL COHESION. SECOND, IT WAS
AGREED AND IS A MATTER OF FACT THAT THE PROBLEMS OF
DIFFERENT DEVELOPING COUNTRIES AND THEREFORE THEIR NEEDS
ARE VERY DIFFERENT. IF WE TRY TO DO THE UTMOST IN
ORDER TO EXPEDITE THE DEVELOPMENT OF ALL DEVELOPING
COUNTRIES, THEN I THINK IT IS CLEAR THAT THE MEASURES
WHICH WE WANT TO SUGGEST MUST FULLY BEAR IN MIND THESE
DIFFERENT NEEDS.

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THE SECOND REMARK CONCERNS THE POSSIBILITIES OF
MAKING FURTHER PROGRESS. THE USEFUL DELIBERATION WE HAD
HAS SHOWN THAT THERE ARE DIFFERENCES OF VIEWS AND OF
POSSIBILITIES AMONG OECD MEMBER COUNTRIES, AND WE MUST
RECOGNIZE AS A FACT THAT THERE ARE DIFFERENCES IN THE
EXTENT TO WHICH MEMBER COUNTRIES HAVE BEEN ABLE SO FAR
TO PARTICIPATE IN DEVELOPMENT COOPERATION. THIS IS TRUE
IN PARTICULAR FOR FINANCIAL ASSISTANCE, BUT IT APPLIES

IN VARYING DEGREES ALSO TO OTHER POLICY ASPECTS, INCLUDING TRADE. THESE EXISTING DIFFERENCES CAN BE EXPLAINED BY MANY DIFFERENT FACTORS, INCLUDING DOMESTIC POLITICAL SITUATIONS, MEMBER COUNTRIES' TRADITIONAL LINKS WITH DEVELOPING COUNTRIES AND, TO SOME EXTENT, ECONOMIC, FINANCIAL AND OTHER CONDITIONS IN THE MEMBER COUNTRIES. THE IMPORTANT THING, TO MY MIND, IS NOT TO DEPLORE

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EXISTING DIFFERENCES, BUT TO TRY TO MAKE PROGRESS AND TO HELP THOSE COUNTRIES THAT MAY LAG BEHIND IN CERTAIN RESPECTS TO MOVE FORWARD. BUT IF OUR GOAL IS TO TRY TO MAXIMIZE THE COMMON EFFORTS IN THE INTEREST OF THE DEVELOPING COUNTRIES, COMING INTERNATIONAL NEGOTIATIONS AND A SUCCESSFUL DIALOGUE WITH THE DEVELOPING COUNTRIES, THEN, I THINK, IT WOULD BE OF UTMOST IMPORTANCE THAT ALL MEMBER COUNTRIES TRY TO DO THEIR BEST IN ORDER TO CONTRIBUTE AS FAR AS THEY CAN. AND, AS IT HAS BEEN SAID, DURING THE DISCUSSION OF TODAY, GOOD EXAMPLES MIGHT BE AN INCENTIVE FOR OTHERS WHO HAVE SO FAR HAD DIFFICULTIES.

AND I THINK IT IS REALLY ONE OF THE PURPOSES OF THE WORK OF THIS GROUP TO APPEAL TO ALL COUNTRIES TO TRY TO DO THEIR UTMOST IN THE LIGHT OF THE OECD DECLARATION.

THE LAST POINT I SHOULD LIKE TO MAKE IN THIS CONTEXT IS THAT OECD MEMBER COUNTRIES ARE NOT THE ONLY ONES WHO ARE ABLE AND WILLING TO GRANT AID IN DIFFERENT FORMS AND IN THE BROADEST SENSE TO DEVELOPING COUNTRIES, AND THEREFORE, I THINK, WE SHOULD APPEAL IN THE RIGHT WAY
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AND IN THE RIGHT FORA TO OTHER POTENTIAL DONOR COUNTRIES TO JOIN EVEN MORE IN FUTURE THAN IN THE PAST IN THAT COMMON EFFORT TO TRY TO BE AS CONSTRUCTIVE AS POSSIBLE.

AFTER THESE PRELIMINARY REMARKS, I WOULD LIKE TO ATTEMPT TO DRAW THE CONCLUSIONS AND GIVE THE SUMMARY OF THE RESULTS OF THE SUBSTANTIAL WORK WHICH WE HAVE BEEN UNDERTAKING IN OUR GROUP:

FOOD AND AGRICULTURAL DEVELOPMENT:

NOW, TO DRAW THE CONCLUSIONS FIRST AS TO FOOD AND AGRICULTURAL DEVELOPMENT: I THINK THERE IS GENERAL AGREEMENT THAT AGRICULTURE AND FOOD CONSTITUTE A PRIORITY AREA WHERE CONSTRUCTIVE MEASURES NEED, AND CAN BE TAKEN IN ORDER TO STRENGTHEN THE RELATIONS WITH DEVELOPING COUNTRIES.

THE OBJECTIVES OF THESE MEASURES SHOULD BE:

- TO INCREASE FOOD SECURITY;
- TO ENSURE ADEQUATE SUPPLIES IN WORLD FOOD

MARKETS; AND

- TO ASSIST THE DEVELOPING COUNTRIES IN RAISING THEIR AGRICULTURAL PRODUCTION.

ON FOOD SECURITY, I SHOULD SAY THAT, AS TO FOOD AID, IT SEEMS TO BE GENERALLY RECOGNIZED THAT FOOD AID IS NOT AN ALTERNATIVE TO INCREASING PRODUCTION IN DEVELOPING COUNTRIES. IT IS, HOWEVER, ACCEPTED THAT FOOD AID WILL CONTINUE TO BE NEEDED FOR STILL A NUMBER OF YEARS, AND NOT THE LEAST MAINLY FOR EMERGENCY CASES. THE 10 MILLION-TON TARGET SET BY THE WORLD FOOD COUNCIL HAS BEEN ACCEPTED AS A GENERAL OBJECTIVE.

ON STOCKS, I THINK IT WAS GENERALLY AGREED THAT LARGER STOCKS ARE ESSENTIAL FOR FOOD SECURITY. IT WAS AGREED, TOO, I THINK, THAT IT IS IMPORTANT FOR THOSE DEVELOPING COUNTRIES WHICH DO NOT HAVE ADEQUATE STOCKS

OR ADEQUATE STORAGE FACILITIES TO BE ASSISTED. EVEN IF
AT THE PRESENT MOMENT STORAGE AND STOCKHOLD-
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ING COULD BE MANAGED MORE EFFICIENTLY IN DEVELOPED
COUNTRIES, THE DEVELOPING COUNTRIES NEED TO BE ASSISTED
IN IMPROVING THEIR STOCK DEFICIENCIES. AND THIS PERHAPS
COULD BE DONE THROUGH THE FAO PROGRAM.

THE CONSTITUTION OF LARGE STOCKS MAY NEED TO TAKE
INTO ACCOUNT THE IMPLICATIONS FOR THE ORDERLY FUNCTION-
ING OF THE GRAINS MARKET. CONSIDERATION OF POSSIBLE
ARRANGEMENTS COULD BE EXPEDITED.

THE CONSTITUTION OF INTERNATIONAL EMERGENCY
STOCKS OF LIMITED SIZE COULD BE CONSIDERED.

ON THE QUESTION OF ENSURING ADEQUATE FOOD SUPPLIES
IN THE FUTURE, IT WAS FELT, AS FAR AS I UNDERSTOOD THE
DISCUSSION, THAT STABLE MARKETS AND STABLE PRICES PROVIDE
AN EFFICIENT MEANS FOR IMPROVING THE FOOD SUPPLY
SITUATION IN THE FUTURE, BOTH AS REGARDS THE LEVEL OF
SUPPLIES AND THEIR REGULARITY.

AND IT WAS GENERALLY RECOGNIZED THAT A GLOBAL
INFORMATION AND EARLY WARNING SYSTEM WOULD BE NECESSARY
TO PLAN AHEAD AND TO DEAL WITH EMERGENCY SITUATIONS. THE

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NON-PARTICIPATION OF CERTAIN LEADING COUNTRIES OUTSIDE THE OECD FAMILY, OF COURSE, IMPLIES A GREAT LIMITATION, AND PERHAPS IT MIGHT BE RIGHT TO EXPLORE WAYS TO MINIMIZE THE CONSEQUENCES OF THIS FACT ON THE OVERALL FOOD SECURITY.

AS REGARDS AID TO AGRICULTURE, THE FOLLOWING CONSENSUS, TO MY MIND, HAS EMERGED:

- AGRICULTURAL DEVELOPMENT IN DEVELOPING COUNTRIES IS ESSENTIAL, BOTH FOR IMPROVING THE FOOD SITUATION AND FOR EMPLOYMENT AND INCREASED PRODUCTIVITY FOR LARGE GROUPS OF THE POPULATION. IT IS ONE OF THE MOST EFFECTIVE MEANS OF HELPING THE POOREST PARTS OF THE POPULATION.

- IT IS GENERALLY AGREED THAT AID TO AGRICULTURE SHOULD BE INCREASED, AND MANY GOVERNMENTS HAVE ALREADY TAKEN THE NECESSARY ACTION IN THIS RESPECT. BUT I THINK THIS RECOGNITION SHOULD NOT MEAN THAT NOTHING FURTHER UNCLASSIFIED

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SHOULD BE DONE IN THE FUTURE.

- DOUBLING THE PRESENT LEVEL OF AID TO AGRICULTURE IS AN OBJECTIVE WHICH MANY COUNTRIES CAN ACCEPT, DEPENDING MAINLY ON THE LEVEL OF AGRICULTURAL AID ALREADY GRANTED. IT WAS ALSO STATED, HOWEVER, THAT AID TO AGRICULTURE MUST BE DETERMINED WITH FLEXIBILITY, TAKING INTO ACCOUNT DEVELOPING COUNTRIES' PRIORITIES AND CONSTRAINTS TO BE OVERCOME IN OTHER SECTORS.

- THERE SEEMS TO BE FURTHER GENERAL AGREEMENT THAT THE CONSULTATIVE GROUP ON FOOD PRODUCTION AND INVESTMENT PROVIDES A BRIDGE BETWEEN INCREASED SUPPORT FOR AGRICULTURE BY INDUSTRIALIZED COUNTRIES AND MEASURES BY DEVELOPING COUNTRIES THEMSELVES TO INCREASE AGRICULTURAL

PRODUCTIVITY.

- THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT RECEIVED FAIRLY GENERAL SUPPORT, AND IT WAS EMPHASIZED BY MANY COUNTRIES THAT THE SETTING UP OF THAT FUND SHOULD BE CONDITIONAL ON THE ALLOCATION OF ADDITIONAL FUNDS FOR AGRICULTURAL DEVELOPMENT. IN THE INTEREST OF EFFECTIVE USE AND RAPID DISBURSEMENT, MANY COUNTRIES STRESS THE NEED TO USE ALSO THE EXISTING BILATERAL AND MULTILATERAL CHANNELS TO THE MAXIMUM EXTENT POSSIBLE. HOWEVER, IT WILL BE NECESSARY TO PUT ADEQUATE RESOURCES AT THE DIRECT DISPOSAL OF THE FUND IN ORDER TO ENHANCE ITS EFFECTIVENESS AND TO ENLIST THE FULL PARTICIPATION OF SOME OF THE NEW DONORS WHO HAVE NO DIRECT AID EXPERIENCE IN THIS AREA.

MARKET ACCESS FOR SEMI-FINISHED AND MANUFACTURED PRODUCTS

THE DEBATE SHOWED THAT ALL MEMBER COUNTRIES TAKE A VERY POSITIVE ATTITUDE TOWARDS THE IMPROVEMENT OF ACCESS TO THEIR MARKETS FOR GOODS MANUFACTURED IN DEVELOPING COUNTRIES. THE CHOICE OF SUITABLE MEASURES AND THE TIMING FOR THEIR IMPLEMENTATION RAISES, HOWEVER, A NUMBER OF DELICATE PROBLEMS, AND THIS MAINLY BECAUSE THE WHOLE AREA OF MARKET ACCESS IS TO A LARGE EXTENT THE SUBJECT OF THE ON-GOING NEGOTIATIONS IN THE GATT, IN WHICH THE UNCLASSIFIED

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DEVELOPING COUNTRIES, OF COURSE, ARE TAKING PART. IN THE DISCUSSIONS OF THE GROUP, IT WAS STRESSED THAT THESE NEGOTIATIONS CONSTITUTE AN IMPORTANT POSITIVE ELEMENT IN THE EVOLVEMENT OF TRADE RELATIONS BETWEEN OECD COUNTRIES AND DEVELOPING COUNTRIES. MEMBER COUNTRIES HAVE COMMITTED THEMSELVES IN THE TOKYO DECLARATION TO GIVING SPECIAL ATTENTION TO THE REQUIREMENTS OF DEVELOPING COUNTRIES, AND THIS I BELIEVE SHOULD MEAN THAT THEY WANT TO GRANT THEM ADDITIONAL BENEFITS. IT WAS POINTED OUT, ON THE OTHER HAND, THAT THE NEGOTIATIONS WOULD NOT BE CONCLUDED BEFORE MANY MONTHS. IN THAT CONTEXT, THE GROUP'S MANDATE WAS RECALLED, WHICH WAS TO GIVE SUPPORT AND NEW IMPETUS, EVEN IF IN A DISCREET WAY, TO NEGOTIATIONS IN OTHER BODIES, AND I THINK IT CAME OUT VERY CLEARLY FROM THE DISCUSSIONS IN THE GROUP THAT MEMBERS ARE DECIDED TO DO SO.

NEW AND POSITIVE SUGGESTIONS HAVE ALREADY BEEN MADE REGARDING THE SPECIAL OR DIFFERENTIATED TREATMENT WHICH MIGHT BE GRANTED TO DEVELOPING COUNTRIES IN CERTAIN RESPECTS.

FOR MOST DELEGATES, NEW COMMITMENTS ON THE STAND-

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STILL WOULD BE DIFFICULT OUTSIDE THE MULTILATERAL TRADE NEGOTIATIONS BECAUSE OF THEIR CLOSE LINK WITH THE PROBLEM OF SAFEGUARDS, THEIR POSSIBLE SELECTIVITY AND THE IMPLICATIONS OF ANY MODIFICATION OF ARTICLE XIX OF THE GATT. SOME DELEGATES THOUGHT, HOWEVER, THAT POSITIVE ACTION MIGHT BE POSSIBLE ON AN AUTONOMOUS BASIS INCLUDING A MORE LIBERAL APPLICATION OF THE ALREADY EXISTING ARRANGEMENTS. AND IF I UNDERSTOOD CORRECTLY THE DISCUSSION, I THINK IT IS RIGHT TO SAY THAT THERE WAS AGREEMENT AS TO THE IMPORTANCE OF THE REALIZATION OF THE GOAL OF STAND-STILL.

THE GENERAL SYSTEM OF PREFERENCES WAS GENERALLY CONSIDERED AN AREA IN WHICH FURTHER PROGRESS TO IMPROVE ACCESS FOR DEVELOPING COUNTRIES IS OF UTMOST IMPORTANCE AND IS FEASIBLE. SOME ASPECTS OF THE PREFERENCE SCHEMES' I.E., PRODUCT COVERAGE OR DEGREE OF PREFERENTIAL CUTS,

WERE LINKED TO THE RESPONSE THAT MIGHT BE GIVEN IN THE
GATT NEGOTIATIONS TO THE CLAIMS OF DEVELOPING COUNTRIES.
OTHER ASPECTS, SUCH AS DURATION OF THE SCHEMES OR
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TECHNICAL IMPROVEMENTS, COULD PERHAPS BE CONSIDERED
SEPARATELY. IT WAS SUGGESTED THAT THE GROUP ON PREFER-
ENCES OF THE TRADE COMMITTEE, WHICH IS TO LAUNCH SHORTLY
A GENERAL REVIEW OF THE GSP, SHOULD EXAMINE THE AREAS
WHERE IMPROVEMENTS SEEMED FEASIBLE.

TARIFF ESCALATION ON PRODUCTS OF SPECIAL INTEREST
TO DEVELOPING COUNTRIES WAS POINTED OUT AS AN AREA WHERE
PROGRESS SHOULD BE EXPECTED FROM THE GATT NEGOTIATIONS,
AND I ASSUME THAT THIS EXPRESSION WOULD MEAN THAT MEMBER
GOVERNMENTS WOULD DO THEIR BEST IN ORDER TO TRY TO
ACHIEVE THIS GOAL.

THE SUGGESTIONS MADE THAT CERTAIN DEVELOPING
COUNTRIES COULD BE ASKED TO CONTRIBUTE VIA-A-VIS OTHER
DEVELOPING COUNTRIES AND POSSIBLY VIS-A-VIS DEVELOPED
COUNTRIES, WITHIN THEIR POSSIBILITIES, TO IMPROVING
TRADE IN MANUFACTURES, WERE CONSIDERED BY SEVERAL
DELEGATES AS WORTHY OF FURTHER EXAMINATION IN THE
INTEREST OF MAXIMIZING THE RESULT. THE GROUP, I HOPE,
WILL EXAMINE THIS QUESTION IN GREATER DETAIL AT ITS
NEXT MEETING AND, IN THAT CONTEXT, THE NATURE OF THE
PARALLEL COMMITMENTS THAT COULD BE ASKED FROM DEVELOPING
COUNTRIES, TOO.

SOME DELEGATES STRESSED THE POSITIVE ACTIONS THAT
COULD BE TAKEN IN AREAS WHICH WERE NOT DISCUSSED IN THE
SECRETARIAT NOTE, SUCH AS MARKETING ASSISTANCE IN FAVOR
OF DEVELOPING COUNTRIES OR CONTRIBUTIONS TO THEIR EFFORTS
TO INCREASE THEIR MUTUAL TRADE.

INDUSTRIAL AND TECHNOLOGICAL COOPERATION

THIS IS AN AREA, FOLLOWING THE CONVERSATIONS WE
HAD, WHICH IS OF GREAT POTENTIAL SIGNIFICANCE TO DEVELOP-
ING COUNTRIES AND WHICH IS LIKELY TO ASSUME GROWING
IMPORTANCE IN RELATIONS BETWEEN OECD COUNTRIES AND
DEVELOPING COUNTRIES IN THE FUTURE.

IT IS ALSO, HOWEVER, A NEW AND VERY COMPLEX FIELD
AND THE POSSIBILITIES FOR TECHNOLOGICAL COOPERATION NEED
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TO BE MORE FULLY EXPLORED. AND, OF COURSE, IN THAT
CONTEXT, AS IN OTHERS, THE FACT MUST BE BORNE IN MIND
THAT THE CAPACITY OF GOVERNMENTS TO TAKE POSITIVE ACTION
AND TO ASSOCIATE PRIVATE ENTERPRISES IN THESE OBJECTIVES
IS NOT ALWAYS VERY EASY.

THE FOLLOWING CONCLUSIONS HAVE EMERGED:

- OECD COUNTRIES SHOULD TAKE A POSITIVE POSITION
IN INTERNATIONAL FORA, IN PARTICULAR IN THE SPECIAL
SESSION OF THE GENERAL ASSEMBLY, TOWARDS INITIATING
TRULY CONSTRUCTIVE CONSULTATIONS ON THE MATTER OF
INDUSTRIAL AND TECHNOLOGICAL COOPERATION;

- AS REGARDS INDUSTRIAL COOPERATION, THERE IS SOME
AGREEMENT ON THE SUGGESTIONS IN THE LIMA DECLARATION THAT
THE CONSULTATIONS -- SPONSORED BY UNIDO -- SHOULD RELATE
IN PARTICULAR TO INDUSTRIES WHICH NORMALLY PROCESS RAW
MATERIAL EXPORTS FROM DEVELOPING COUNTRIES OR WHICH
CONSUME VAST QUANTITIES OF ENERGY;

- THERE IS ALSO A BROAD MEASURE OF AGREEMENT THAT
THE PURSUIT OF A MORE BALANCED INTERNATIONAL DIVISION

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OF LABOR AND PATTERN OF INDUSTRIAL LOCATION IS NOT MERELY A MATTER OF TRADE POLICY AND TRADE-FOCUSED MEASURES. THE INDUSTRIALIZED COUNTRIES MUST RATHER DIRECT THEIR ATTENTION TO THE WHOLE COMPLEX OF STRUCTURAL, REGIONAL AND EMPLOYMENT POLICIES IN THEIR COUNTRIES. IN PARTICULAR, GOVERNMENTS SHOULD, THROUGH APPROPRIATE CONSULTATION PROCEDURES WITH THEIR NATIONAL INDUSTRIES, AT LEAST SEEK TO AVOID THE EXPANSION OF PRODUCTIVE CAPACITY IN AREAS LIKELY TO BE EXPOSED TO COMPETITION FROM NEW AND EFFICIENT INDUSTRIES IN DEVELOPING COUNTRIES. AND I THINK I SHOULD ADD THAT THIS USEFUL UNDERTAKING SHOULD NOT MEAN A GENERAL REGULATION OF INVESTMENT ACTIVITIES.

IT WAS ALSO AGREED THAT THERE ARE A NUMBER OF OTHER POSITIVE MEASURES WHICH WOULD HELP TO STRENGTHEN THE INDUSTRIALIZATION OF DEVELOPING COUNTRIES, SUCH AS THE ENCOURAGEMENT OF SUBCONTRACTING ARRANGEMENTS AND TECHNICAL ASSISTANCE FOR PROFESSIONAL AND MANAGEMENT TRAINING, AND FOR THE TRAINING OF WORKERS.

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AS REGARDS TECHNOLOGICAL COOPERATION, THERE IS GENERAL AGREEMENT THAT THE TRANSFER OF TECHNOLOGY SHOULD AS MUCH AS POSSIBLE BE FACILITATED BY OECD COUNTRIES AND THAT THEY SHOULD STRENGTHEN ASSISTANCE TO ENABLE THE DEVELOPING COUNTRIES TO ESTABLISH THEIR OWN INDIGENOUS RESEARCH AND TECHNOLOGICAL INFRASTRUCTURE.

IT SEEMS TO BE IMPORTANT TO ORIENT THE ASSISTANCE IN SUCH A WAY AS TO FACILITATE EFFORTS OF DEVELOPING COUNTRIES THEMSELVES TOWARDS SELF-RELIANCE IN THIS FIELD.

THE GROUP RECOGNIZED FURTHER THAT IN THE FIELD OF MODERN, LARGE-SCALE INDUSTRIAL DEVELOPMENT THERE HAVE BEEN SERIOUS LIMITS TO SCOPE FOR GOVERNMENT ACTION, SINCE A CONSIDERABLE PART OF TECHNOLOGY IS CREATED AND HELD BY PRIVATE ENTERPRISES. THE QUESTION IS WHAT PRACTICAL ARRANGEMENTS CAN BE MADE TO MEET THE DESIRES OF THE DEVELOPING COUNTRIES FOR DIRECT ACCESS TO SUCH TECHNOLOGY AND AT THE SAME TIME PROTECT THE LEGITIMATE INTERESTS OF THE SUPPLIERS OF TECHNOLOGY. MEMBER COUNTRIES HAVE CONSIDERABLE DIFFICULTIES WITH THE NOTION OF ACCESS TO

TECHNOLOGY ON PREFERRED CONDITIONS.

I LEARNED FROM THE DISCUSSION SO FAR THAT OECD MEMBER COUNTRIES ARE READY TO WORK WITH DEVELOPING COUNTRIES IN THE COMPETENT BODIES ON IMPROVED ARRANGEMENTS FOR THE TRANSFER OF TECHNOLOGY AND ITS ADAPTION TO THE SPECIAL NEEDS OF THE DEVELOPING COUNTRIES. IN THIS CONTEXT, REFERENCE WAS MADE TO A CODE OF CONDUCT.

OFFICIAL DEVELOPMENT ASSISTANCE

THE GROUP AGREES THAT THE ROLE OF AID IN RELATION TO OTHER FORMS OF DEVELOPMENT COOPERATION WILL HAVE TO BE AN IMPORTANT ELEMENT OF THE REVIEW OF RELATIONS WITH DEVELOPING COUNTRIES. AID REMAINS THE MOST EFFECTIVE WAY OF TRANSFERRING RESOURCES TO DEVELOPING COUNTRIES FROM THE POINT OF VIEW OF EQUITY AND COMPATIBILITY WITH THE MARKET MECHANISM AND EFFICIENT RESOURCE USE. THE PROBLEMS, PARTICULARLY, OF THE MOST-SERIOUSLY AFFECTED, UNCLASSIFIED

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HARD-CORE, UNDER-DEVELOPED COUNTRIES CANNOT BE SOLVED WITHOUT SUBSTANTIAL AID AMOUNTS. THERE IS GENERAL AGREEMENT THAT THE REQUIREMENTS OF THESE COUNTRIES FOR CONCESSIONAL ASSISTANCE SHOULD BE MET ON A PRIORITY BASIS.

THE BASIC ISSUE IS HOW THE AGGREGATE NET AID FLOW CAN BE EXPANDED.

A MAJORITY OF DAC MEMBERS HAVE ACCEPTED THE 0.7 PERCENT TARGET. OTHERS HAVE NOT FELT ABLE TO DO SO. SOME COUNTRIES FEEL THAT A REAFFIRMATION OF THE TARGET WOULD BE USEFUL; OTHERS DO NOT SHARE THIS VIEW. WHAT MATTERS AT THE MOMENT IS THE ACTUAL PERFORMANCE AND CONCRETE PROGRESS. IT IS CLEAR, HOWEVER, THAT A SIGNIFICANT IMPROVEMENT IN AID LEVELS WOULD REQUIRE A NEW DEPARTURE BY THOSE DONOR COUNTRIES WHICH HAVE LAGGED BEHIND IN RECENT YEARS IN THEIR AID PERFORMANCE.

CONCRETE PROGRESS IN THE EFFECTIVE IMPLEMENTATION OF AT LEAST SOME OF THE CURRENT MULTILATERAL INITIATIVES WOULD FORM AN IMPORTANT ELEMENT OF CONSIDERABLE PRACTICAL AND POLITICAL SIGNIFICANCE IN THE CONSTRUCTIVE APPROACHES

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MEMBER COUNTRIES HAVE UNDERTAKEN TO ADOPT. AT THE SAME TIME, IN THE INTEREST OF BOTH TRANSPARENCY AND EFFICIENCY IT IS NECESSARY TO AVOID A PROLIFERATION OF FUNDS, AND IT IS EQUALLY NECESSARY TO ESTABLISH PRIORITIES AMONG THESE VARIOUS INITIATIVES AND EXISTING FUNDS, AND TO CONSIDER PROSPECTS FOR EVENTUAL CONSOLIDATIONS OF SOME OF THEM. IN THIS CONNECTION, MOST DELEGATIONS STRESSED THE IMPORTANCE OF IDA AS A MAJOR INSTRUMENT TO SUPPORT THE DEVELOPMENT OBJECTIVES OF THOSE DEVELOPING COUNTRIES WHICH ARE IN THE STRONGEST NEED. AMONG OTHER SUGGESTIONS THE PROPOSED TRUST FUND TO BE ESTABLISHED IN THE FRAMEWORK OF THE IMF RECEIVED SUPPORT FROM SEVERAL SIDES.

SOME DELEGATIONS FELT THE GREATER STABILITY OF EXPORT EARNINGS WOULD INCREASE THE EFFICIENCY OF RESOURCES USE. THERE IS WIDE AGREEMENT ON THE DESIRABILITY OF IMPROVING THE IMF COMPENSATORY FINANCING FACILITY.

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ASSISTANCE, ESPECIALLY FOR THE POORER DEVELOPING COUNTRIES, NEED TO BE FURTHER IMPROVED.

SOME COUNTRIES STRESSED THE DESIRABILITY OF WORKING OUT COOPERATIVE TRIANGULAR ARRANGEMENTS BETWEEN OIL PRODUCERS, INDUSTRIALIZED COUNTRIES AND NON-OIL-DEVELOPING COUNTRIES SO AS TO PERMIT A SATISFACTORY COMBINATION OF THEIR RESPECTIVE CAPABILITIES AND NEEDS.

WITH RESPECT TO ACCESS TO CAPITAL MARKETS, MOST MEMBERS FELT THAT PRESENT LIBERAL ARRANGEMENTS SHOULD BE MAINTAINED AND THAT THERE WAS LITTLE SCOPE TO ASSURE PREFERENTIAL ACCESS FOR DEVELOPING COUNTRIES. THE SECRETARIAT PROPOSALS REGARDING IMPROVED TECHNICAL ADVICE FOR LDC'S AND STRENGTHENED INTERNATIONAL SURVEILLANCE OF CAPITAL MARKET TRENDS WERE WELCOMED. MEMBERS NOTED THAT THE SUBJECT OF CAPITAL MARKET ACCESS WAS BEING STUDIED BY THE WORKING GROUP ESTABLISHED BY THE DEVELOPMENT COMMITTEE AND THAT THE CONCLUSIONS OF THIS WORK SHOULD BE AWAITED. EFFORTS BY DEVELOPING COUNTRIES THEMSELVES TO IMPROVE THEIR CREDITWORTHINESS AND BORROWING CAPACITY THROUGH REGIONAL ARRANGEMENTS WERE CONSIDERED DESIRABLE.

ON DEBT PROBLEMS OF DEVELOPING COUNTRIES, MOST MEMBERS CONFIRMED THEIR ATTITUDE THAT DEVELOPING COUNTRIES THEMSELVES BEAR THE PRIME RESPONSIBILITY FOR SOUND DEBT MANAGEMENT AND THAT DEBT RELIEF SHOULD BE CONSIDERED AS AN EXCEPTIONAL MEASURE WHOSE MODALITIES ARE TO BE DECIDED ON A CASE-BY-CASE BASIS AND IN THE ESTABLISHED MULTILATERAL FORA. MEMBERS EXPRESSED THEIR CONTINUED READINESS TO MEET ACUTE DEBT DIFFICULTIES OF DEVELOPING COUNTRIES IN A CONSTRUCTIVE MANNER AND TO ASSIST IN MEASURES DESIGNED TO IMPROVE DEBT MANAGEMENT AND AN INTERNATIONAL SURVEILLANCE OF DEBT PROBLEMS. IT IS QUITE CLEAR THAT CERTAIN MEMBER COUNTRIES ARE WILLING AND ABLE TO GO FURTHER AHEAD.

AS REGARDS POSSIBLE MEASURES TO IMPROVE THE INTERNATIONAL INVESTMENT CLIMATE, MEMBERS UNDERLINED THE ROLE OF HOST COUNTRIES IN THIS AREA AND DREW ATTENTION TO THE EFFECT OF INVESTMENT PROTECTION AND GUARANTEE

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ARRANGEMENTS. IT WAS ALSO SUGGESTED THAT INVESTMENTS BY GOVERNMENT-OWNED COMPANIES MIGHT BE CONSIDERED TOGETHER WITH PURELY PRIVATE INVESTMENTS. IMPROVED INDUSTRIALIZED TECHNOLOGICAL COOPERATION AND A BETTER

INVESTMENT CLIMATE WERE CONSIDERED AS TWO INTER-RELATED ASPECTS. SEVERAL DELEGATIONS SUGGESTED THAT THE AD HOC GROUP MIGHT EXAMINE CERTAIN ASPECTS OF THIS PROBLEM FURTHER IN THE FUTURE, AND THAT THE ESTABLISHMENT OF A CATALOGUE OF MEASURES AND CONDITIONS IN ORDER TO REACH THAT GOAL MIGHT BE USEFUL.

ALL MEMBERS SUPPORTED A GREATER PARTICIPATION OF DEVELOPING COUNTRIES IN THE DECISION-MAKING OF INTERNATIONAL FINANCIAL INSTITUTIONS, BUT MOST OF THEM CONFIRMED THEIR RELUCTANCE TO DEPART FROM THE BASIC PRINCIPLE OF LINKING VOTING RIGHTS IN INTERNATIONAL MONETARY AND FINANCIAL ORGANIZATIONS TO THE ECONOMIC STRENGTH AND FINANCING SHARE OF THE CONTRIBUTING COUNTRIES.

PRIORITIES AND FUTURE WORK

AS IT HAS BECOME CLEAR IN OUR DISCUSSIONS, IMPORT-

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 IO-10 AF-06 ARA-10 EA-10 NEA-10

AID-05 CEA-01 CIAE-00 COME-00 EB-07 FRB-01 INR-07

NSAE-00 OPIC-06 SP-02 TRSE-00 CIEP-02 LAB-04 SIL-01

OMB-01 SS-15 NSC-05 L-03 H-02 AGR-10 STR-04 TAR-01

PA-02 PRS-01 USIA-15 OES-05 ABF-01 /160 W

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ANT ADDITIONAL EFFORTS ARE ALREADY BEING MADE AND FAR-REACHING NEW INITIATIVES ARE PRESENTLY UNDER DISCUSSION. IT IS NOT EASY TO SELECT INDIVIDUAL ISSUES FOR PRIORITY CONSIDERATION. PROGRESS NEEDS TO BE MADE ON A BROAD FRONT OF POLICIES.

NEVERTHELESS, I SHOULD LIKE TO SINGLE OUT SOME INDIVIDUAL ISSUES WHERE PROGRESS WOULD SEEM PARTICULARLY IMPORTANT, AND ALSO, I THINK, FEASIBLE, AND THESE WOULD BE:

- VOLUME AND QUALITY OF AID;

- AID TO AGRICULTURE;

- IMPROVEMENT OF THE GENERAL SYSTEM OF PREFERENCES, IN THE LIGHT OF ACTUAL EXPERIENCE WITH VARIOUS GROUPS OF COUNTRIES;

- CONSULTATIONS WITH DEVELOPING COUNTRIES ON UNCLASSIFIED

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INDUSTRIAL AND TECHNOLOGICAL COOPERATION; AND

- FORTHCOMING ATTITUDE ON IDA REPLENISHMENT.

THE FUTURE WORK OF OUR GROUP SHOULD PROBABLY CONCENTRATE ON INDUSTRIAL AND TECHNOLOGICAL COOPERATION, WHILE I WOULD NOT LEAVE OUT ANY OTHER IMPORTANT ASPECT. THE SECRETARIAT MIGHT DEFINE THE ISSUES FOR FUTURE CONSIDERATION MORE CLOSELY.

THERE MAY ALSO BE SCOPE FOR USEFUL WORK ON ACCESS TO MARKETS. WE MUST KEEP PROGRESS IN THE GATT NEGOTIATIONS UNDER REVIEW AND WE HAVE TO SEE WHETHER AND WHAT CONCRETE POSITIVE IMPULSES SEEM TO BE POSSIBLE. INTEREST WAS ALSO EXPRESSED IN EXPLORING THE SCOPE FOR PARALLEL COMMITMENTS TO BE ACCEPTED BY DEVELOPING COUNTRIES.

AS FAR AS COMMODITIES ARE CONCERNED, I THINK WE AGREED THAT THIS SUBJECT SHOULD BE LEFT OUT OF OUR DISCUSSION FOR THE TIME BEING. END TEXT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, LESS DEVELOPED COUNTRIES, AGRICULTURAL DEVELOPMENT, TEXT, COMMITTEE MEETINGS, FOREIGN ASSISTANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 11 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975OECDP17978
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750240-0518
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750764/aaaacfmm.tel
Line Count: 865
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 16
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 OECD PARIS 17863
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 11 FEB 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 FEB 2003 by ThomasVJ>; APPROVED <15 MAR 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: AD HOC GROUP ON ECONOMIC RELATIONS BETWEEN MEMBER COUNTRIES AND DEVELOPING COUNTRIES
TAGS: EAID, EFIN, OECD
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006